

CHAPTER NO. 657

SENATE BILL NO. 3259

By Dixon, Trail, Kilby, Herron, Graves

Substituted for: House Bill No. 3329

By Bowers, Lois DeBerry, Shaw, Ulysses Jones, Hargett, Sargent, Marrero, Eldridge, Gresham, Pleasant, Hargrove, Baird, Shepard, Sontany, Miller, Litz, Kent, Yokley, Langster, BrendaTurner, Pruitt

AN ACT to amend Tennessee Code Annotated, Title 45; Title 47 and Title 66, relative to home loans for certain homeowners.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 66, Chapter 4, is amended by adding the following language as a new, appropriately designated section:

66-4-____. (a) All contracts for home loans made by a nonprofit lender with a zero (0) interest rate or low interest rate loan must contain the following restrictive covenant:

This zero interest or low interest rate loan cannot be refinanced, replaced or consolidated without the prior, written approval of the local board of directors of the nonprofit lender which financed the loan so long as this initial, zero interest or low interest rate loan is in existence.

(b) As used in this section,

(1) "Low interest loan" means a home loan that carries an interest rate that is two (2) percentage points or more below the yield on United States Treasury securities with a comparable maturity at the time the loan is made;

(2) "Home loan" means a term loan which secures a 1-4 family dwelling used as the primary residence of the borrower.

(c) Each mortgage or deed of trust securing a home loan as provided in subsection (a) shall state on the face of the instrument prominently displayed:

THIS INSTRUMENT SECURES A ZERO INTEREST OR LOW INTEREST RATE LOAN AS DEFINED UNDER TENNESSEE CODE ANNOTATED SECTION 66-4__ AND IS SUBJECT TO THE RESTRICTIONS THEREIN.

(d) A lender may reasonably rely on such statement or lack thereof appearing on the face of the instrument as conclusive proof of the existence or non-existence of a restricted home loan as provided in subsection (a).

SECTION 2. This act shall take effect July 1, 2004, the public welfare requiring it.

PASSED: May 3, 2004



JOHN S. WILDER
SPEAKER OF THE SENATE



JIMMY NAIFEH, SPEAKER
HOUSE OF REPRESENTATIVES

APPROVED this 14th day of May 2004



PHIL BREDEBEN, GOVERNOR